

MoS Transcript – Strategy Session (Endeavor Fireside)

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REID HOFFMAN: I'm Reid Hoffman, co-founder of LinkedIn, partner at Greylock, and your host. Welcome to our Strategy Session, where we partner with a community of entrepreneurs to hear the questions that are keeping them up at night.

This Strategy Session is a little different. What you're about to hear is actually a portion of my virtual fireside chat with Linda Rottenberg, the CEO and co-founder of Endeavor, an organization that supports and invests in entrepreneurs worldwide, and especially in emerging markets. Linda – and Endeavor – are friends of the show and we're thrilled to be working with them again.

This fireside chat happened in the early Spring, the first installment in a series called "Endeavor Presents: Leading Through Crisis." And you'll hear a certain amount of urgency in the questions from entrepreneurs. Then – and now – there is so much we are still learning. I hope both the questions and answers help guide your thinking about how to take smart risks, how to be transparent – but inspiring – with your board and your team, how to keep up morale, and what the future of blitzscaling looks like now.

And just a note: my co-host today was Linda, who asked the questions for entrepreneurs. We hope you enjoy.

LINDA ROTTENBERG: Hi, everybody. This is Linda Rottenberg, and I'm the co-founder and CEO of Endeavor. I want to start with one of our entrepreneur's questions. This is from Vladi in Bulgaria of Hello Hungry. He says, "If you knew three months ago what was going to be coming down the pike, what would you have done differently?"

HOFFMAN: Let's see. Because I'm on a board of a number of different startups, I called them and said, "Look, it's going to be turbulent times because we don't know what the actual impact is," – I didn't predict this level of stay-in-place and what the economy train wreck would be from it, but it creates volatility, so prepare for volatility. That was the thing I did.

What I would've done is I would've... The classic recession thing. So you try to shore up your balance sheet, you try to figure out what are the really essential things that caused longevity and revenue stream. You do those early. You figure out what the monitoring is, because one of the frequent mistakes in this is you either are too optimistic or too pessimistic.

Actually, both can be serious errors. Everyone tends to say, "Oh, you can't be too pessimistic." Well, it depends. If you're in a travel business and this environment, then

yes, you can't be too pessimistic, unfortunately, but there's a range. For example, if you're in a B2B, yes, your businesses will slow their sales, new purchase orders will take two or three months to generate, it'll be less. You'll be in a recession, but if all B2B business goes away and there's no revenue in B2B in August, like we're just kind of restarting the whole economy.

You try to align your risks to the risks that you are in, whereas if that risk means the whole world's that way, then the whole world will be working on it. You align them to the things you are, which is this range between how do you be not too pessimistic in terms of planning for what your future is and revenue is, what your cost structure is and how you can still be growing your business and so forth.

Then in terms of "too optimistic," it's obviously the mistakes that people make is they say, "Well, it'll just be like January or November, it'll be great." You're like, "No, no, no, no. The new normal is not going to be the old normal. It might be there in a year from now or two years now, but it's not going to be there."

Part of that is the thing about, like even when you have a B2B business, you say, "Well, all right, my business serves a lot of small businesses." Well, how many of those are restaurants? How many of those are things that have been seriously impacted part of what you're going to want as a business, providing there is, you're going to want to say, "Look..." – especially if you have something like a digital goods – it's like, "Look, here, you can have my digital software for free for the next three months because you're just going to be standing back."

It's much more valuable for me for you to be a live customer three months from now than me trying to weigh you down right now. And that kind of planning is the kind of thing you need to do.

All of that would have been like start in January, start in February. And then you also, by the way, you set up your monitoring to know, "Am I right about where I think my business is going to get back to, what the new normal going to be?" And you have to correct from that because you may have to correct down, you may have to correct up.

ROTTENBERG: You brought up the travel tourism industry. We have a question here from Max Milhas in Brazil who says, "Look, I'm in the tourism industry. Do I just say, Hey, let me take my current client base, let me take my current teams and pivot to actually outside the core business to an entirely a new business? What do I do?"

I thought that was a great segue into something you talked about on your Bob Safian content, which was your SWOT analysis, how do you make the judgment calls as a scale-up versus a startup where mortality means something different?

HOFFMAN: A SWOT analysis – one of the things I actually like from business school. I'm generally a little more skeptical of business school than your average business person, but it's strengths, weaknesses, opportunities, threats: S-W-O-T. The normal SWOT analysis is within a normal environment, but you also, when you get to a crisis, you redo your SWOT analysis because your strengths and weaknesses, your opportunities and threats change in a changing market and a changing situation. You say, "Where does that play to me?"

Travel – that's the one out of the ones I think is hardest, you always see the threat more clearly. It's like, "Oh, God," but usually, there's some opportunities. I'm not Pollyannaish in that like, "There's always an opportunity." No, sometimes it just sucks. Now, when you look at it, you say, well, there's a couple of places you could say, "Look, if you presume a massive crush of the business and a very slow restart, what happens? Because the government values it, are they going to protect and sustain it? Yes, no?" That may give you one place for longevity. Usually, as entrepreneurs, we're always very nervous about depending on the government because of actual timeframes and deliveries and all the rest, and that's a massive risk factor on its own.

Then you kind of go, "Well, all right, do I think that there is some unique part of the business that the first part of the travel business that will come back almost like starting a business that will be enough of a beachhead? Will there be business travel that will first come back anyway because it's kind of essential, and so forth, and there's the ways that I can do that and I can be ready for that, and maybe that will actually resume some, not the full level, but enough for getting on the beach and starting the business in July or August and so forth, then there's something I could do there."

Is there other parts that are closer or more adjacent to the business? Now, maybe there isn't. Now, the thing that you then look at and say, "Okay, well, so what if I'm in a place where I think that the highest probability of all the stuff that are adjacent to my business are potentially just random shots in the dark and that isn't going to really work and I'd rather be more systemic?"

At that point, obviously, that's the massive pivot, and there's at least two forms of the massive pivot. One of them could be like, "Let's look at our assets. Let's look at the team. Let's look at the thing that we do, and let's just say, 'Great, we're now doing this rather than that. This is now the way that we're playing in this.'"

The second can also be the, "Well, look, if we think that we're facing mortality anyway... " This is one of the things that allows entrepreneurs to take risks. "The metaphor of jumping off the cliff and assembling the airplane on the way down, is like, by default, we're dead, so let's try to do something really amazing because why not?"

For example, if I was looking at the travel business, like, "Well, is there a Zoom virtual travel business? Is there something that you could set up in that reign?" And I'm not saying that that's a good idea at all, but it's like is there something that you say, "Look, I'm just going to experiment with this new category," because part of generally when you look across all these businesses and say, "Well, look, if in this crisis there's an experiment that you now can take that you wouldn't have taken anyway that may persist into something valuable in a year from now or two years from now, then that's sometimes a good thing to do."

Some of it's just during the crisis to make do, but if I can also run an experiment of something that may be useful in a year, then I'm building value into the business – because it won't always be like this in April. This is not the new normal.

ROTTENBERG: Yes. I wanted to get into the relationships with entrepreneurs and boards or their funders. We actually have a number of questions already popping up about, "Well, what if I'm in healthcare?" Mohammad is in Egypt, he says, "This is a booming industry. I'm seeing all these opportunities. How do I pursue those?" Or we have Carlos in Spain saying, "Well, wait a minute, what's the fine line between opportune and opportunistic?" And entrepreneurs are going to view this maybe differently than their boards and funders in terms of the level of seizing opportunities and taking the risks. How do you overlay that SWOT analysis where entrepreneurs are going to want to end up versus where their funders and boards are going to want to end up?

HOFFMAN: So when you say, "Look, there are a variety of businesses where there's huge opportunity created, there's huge opportunity created in eCommerce, there's huge opportunities created in medical, there is huge opportunities created in distributed work tools." Look at the boom in Zoom, for example.

The fact that there's a good business there. Now the line between what is ethical and not ethical is pretty straight forward, which is are you unduly profiting? Like are you raising prices or are you charging hospitals, etc.?

Those kinds of principles and heuristics are the right way to do it. Which is to say, "Look, we're not taking disadvantaged people, people who are at risk. And so we're holding them over a barrel and emptying their pockets. We are creating a normal business where we're also being compassionate, being human beings about who are the folks who are in desperate situations, who we can do a little something for. It could be a free product, it could be a product at cost, it could be some prioritization – but where we're paying attention to that as we do that." And of course, one, you just do it because it's the right thing to do, because you're an ethical, moral human being who is compassionate for other people in these times.

Now that's also useful in the business because by the way, the loyalty that people will love you for this is very high. So it isn't a hundred percent selfless. It's still the right thing to do, even if it wasn't. But it does also help with establishing that brand.

And there will be a variety of businesses that just have straight-out opportunity because of where they are, and you should build another opportunity. Part of the thing that's awesome about business is you say, "Look, you're building products and services that people need and love and are going to use and you should continue to do that. And so it's a good thing to be doing those things."

And then the "be human" on that context is make sure that you're not putting your employees at risk. For example, the business in New York that said, "We can shift our 3D manufacturing for manufacturing face shields, and those face shields could be really helpful with first line responders and everything else. And we're right here and we could do 2,000 a day." And I was like, "Great. Just make sure that you ask your employees, is this the thing that they want to do in heroism? Don't coerce them to do it, and then when they get there, work six feet apart, work with face masks, make your own face shields, as a way of doing it and making it happen."

ROTTENBERG: I want to shift to teams. So the first question is from Teo Pago in Nigeria, and he's asking about the level of transparency with the team on the financial position, wanting to be transparent and showing the P and L summary, but not wanting to freak them out. So how do you balance that as a leader?

HOFFMAN: I think that usually my approach to handling crisis as a leader in which this is, of course, just an intense crisis, unique and kind of a bit of an asteroid hitting the economy of the world. But what you do is you say, "Look, these are our legitimate challenges. These are the things that are the real risks. These are the things that are the real thing. And here is why I think we can win this game. Here's why I think we can play and win. And this is why I think there's a good possibility of it."

And then kind of say, "Look, and I believe in us. I believe that we have the possibility of doing that." And so it's a lot like when you think about the kind of the heroic movies, the speech that Aragorn gives at the Lord of the Rings in front of Mordor, and so forth. It's the, "I recognize your fear. I see your fear. But we can win the day. And here is how." It's not just like, "Oh, blind optimism. Here is my thoughts about how to do it. Here's my thoughts about why it's a winnable game. This is what I think is the game we can play, in order to do that."

And so it doesn't have to be proven. You can say, "Look, there's unknowns. There's uncertainties here." But people actually, in fact, want leadership. They want to feel like it's not hopeless. They want to not feel like they're just waiting for the sky to fall. But if you just go, "Hey, hey, it'll work, don't worry about it," it's like, "Well, that's not credible."

Or, "Hey, everything's fine." Well, that's not credible. And once you lose credibility, then your ability to articulate the possible path, that you say, "Here is the game we can win," that also doesn't have credibility.

So that's the balance that I find, in having that discussion

ROTTENBERG: Awesome. A related question, which is coming from a Honduras Spotahome, also in the travel industry in Spain, is, after the cuts, how do you maintain the morale? Part of you answered that. If you're not right, if you're nervous, you're probably better off the team.

But I always think that the VCs don't address this enough, is when you're making the cuts, how do you then get people back into warrior mode, when they've seen the person who used to be in the cubicle next to them, now is on the Zoom next to them, no longer there. How do you remotivate a smaller, leaner staff, after tough decisions, particularly on furloughs or cuts?

HOFFMAN: So this is one of the reasons I prefer investors and board members who have got operating and entrepreneurial experience, kind of personally. Because it's like, "Yeah, this is key." Right? And, frequently, VCs, it's like, "I have a pattern matcher. I'm on a lot of boards. I know this stuff." No, no, no, no. There's a difference from playing the game, right? And watching the game.

So it's really important to do it now. And, by the way, if the board members don't have the right guidance, reach out to other CEOs, other entrepreneurs, other folks. Because it is important to get this right. The question is great, Alejandro. Glad to hear it. We sat next to each other at dinner. I remember I took a picture I think, if I recall.

And so part of it again comes back to this ... Again, it's that leadership thing, which is, look, you guys are still here because you are the cultural background. You're the stars. You're the people who are the blood, the muscles that can make this work. You are the amazing people that can do this. And that's why, when we had to make these hard choices, when we cut down, we cut down to the essential people, the core, the foundation, the spirit, the raw talent, the entrepreneurial capability of making this happen.

And so part of what makes leadership, CEO, entrepreneur, kind of a lonely job, is it's your job to be the energy output. It's your job, your leadership thing, to go, "You guys are amazing. We can do this." Right? That's the job. And part of the reason I refer to the movies and so forth is what movies actually, in fact, really capture, with these screenwriting teams and all the rest of this, is what are the kinds of things that can articulate to a human being, that brings their emotions, their passions, their presence, their commitment into, "Yes, this feels very meaningful to me. You're helping me see that I have a chance at this." All right? "And I want that chance. I want to do it." That's what that's about.

And part of the thing that's good about entrepreneurship is, "Look, what we're trying to do is we're building this business." It isn't the same thing as we're running up the hill against the machine gun nest. Right? It's the, "Look, it's painful if it doesn't work. But we get to play again." Right?

The thing about ongoing business is it's okay to be totally committed to doing it. And that's the reason why you can get that conviction and drive in order to do that.

ROTTENBERG: We had a couple of questions on blitzscaling. And Nadia in Malaysia said, "Okay, if you're going to update *Blitzscaling* with a new chapter – I assume there'll be a new book. Based on the recent crisis, what would be that first chapter that you'd think about?"

HOFFMAN: So we have been working on some of this. Surprise! I don't know if I know yet what the first chapter is, but I will say a little bit of what some of the themes are. Right? Because that was the pause. It was like, "Do we have the first chapter you had in mind?" I'm not sure. Because part of the way that I kind of write books and content is I'd say, "Okay, this is an important point. This is an important point." They all kind of relate to each other. One of the weird things when you're putting them in writing is you go, "Okay. It's actually, in fact, more like a network of things where they're all connected. And how do you linearize it, right? What's the way that it goes into a narrative where you linearize?" Which is actually bizarrely hard.

And so what I would say is part of the key thing – and we've had so much long-term of bull markets, we've kind of forgotten about this – but one thing that's always a good thing to be doing is red teaming, right? And the red teaming I was thinking about when I was writing *Blitzscaling* was like, "Well, competitors. And just competitors during bull markets." But actually, in fact, part of red teaming is to be thinking about, "Okay, what kinds of things could go wrong?" And also being able to fire a flare of, "Whoa, whoa."

Even though people had talked about pandemics before, no one talked about the economic asteroid of the response to a pandemic. And it's like, "Oh, I could see big economic things coming." Because then you immediately go to red teaming. You go to, "Okay, what are the things that could potentially go wrong? How big are those risks?"

You figure out what are the set of risks that you actually really need to be dealing with in red teaming. Part of now what we're red teaming is unpredictability of the markets, unpredictability of capital. Three phases, probably: the recovery one is the immediate crush of the next few months. The weirdness of the coming back online, even though governments will be doing massive amounts of stimulus. And, by the way, that means there'll be an environment of opportunities and things happening there. That's the reason why it's not just the end of the world, economically speaking. And then back to where we always try to get economies going, which is just humming and growing and building.

And so the blitzscaling part of this is to say, "Well, blitzscaling is always relative speed. And relative is the first to scale that captures the opportunity." And so what it really means is all of these things are changing, the changing capital market, change of product market fit, change of the techniques by which you get to scale. The speed coefficient will also change a difference too.

So, for example, the kind of thing that we were doing at PayPal, or like Uber was doing, where you say, "Look, we just back up the capital truck, right? And we just spend as fast as possible for market growth." Obviously, that's not the kind of blitzscaling that, generally speaking, you're going to be doing, in capital constrained markets. It'll be a way to get back there. And it's like, "Okay great."

Now, you may still be saying, "Look, we're doing things in order to capture market and get first to scale." So we may say, "Well, as opposed to being deeply unprofitable," we say, "Well, maybe we're being lightly unprofitable, or zero margin as we're growing." And that's still blitzscaling, as a path to doing it.

And then the next thing is you need to be doing more constant testing. The classic entrepreneurial story is figure out your product market fit, that presumably gets to scale. Then start deploying it, figure out what it needs to change, in order to get to scale product market fit. And then you're really going off the races. And maybe you're applying the afterburners and doing blitz scaling, depending on what the situation is.

Part of the things about volatility is that the various elements of product market fit then change, and aren't easily measurable. Because part of this is knock on effects. Like you say, "Well, look, a bunch of restaurants unfortunately are going out of business." Well, then they're going to take a bunch of cost on real estate. Their real estate companies are going to hit. There'll be supply chains, and those supply chains are going to get hit. And you're like, "Oh, then all of a sudden that comes back hits my business." Right?

So that's part of this kind of the complexity of this connected market, and knowing what's going to happen. And so you have to be much more measure, measure, measure. And it's a ton more work. And it's a ton more sweat, tears, blood, and uncertainty. But that's part of the entrepreneurial game. And it's one of the things that is part of the reason why entrepreneurs are so important for what we're doing.

ROTTENBERG: So let's switch to... We have several questions on the future of work. So I'll reference Gizem of Jobs24 in Turkey, and Arthur of Zest in Peru, about the future of work. I think one question everybody has is now that we've gotten used to Zoom and how does this change the global nature of the workforce? Also, is anyone going back to real offices again? Like what's your sense, in terms of how this is going to, in the new normal, just transform the future of work overall?

HOFFMAN: Anyone who says that they know is a little self deluding, right? There are some threads that are pretty clearly true. Also, by the way, one of the things we do in a business is to run the experiments. That little about what we were talking about earlier is run the experiments.

For example, one interesting question is will we be more productive if we have a, like for example, no meetings Wednesdays, right? Or that we build-in certain asynchronous work tools that we're working much more on that. Like what are the things that can experiment with how we work now that didn't before?

One of the things we're definitely seeing as part of the booms is companies that are in my portfolio, like Coda, which is essentially a network work tool that you can setup any kind of work process, realtime data, and it's pretty easy to do, and doesn't really require people, they're booming because people are like, "Well we need to have asynchronous work tools in order to make this work. So okay, Coda's this really, really easy way to set-up our asynchronous work tool that works for us," right? That's part of the Coda thing and so they're doing great. They're doing exactly what a company should be doing: "We're providing businesses and software."

Now in the work patterns what you want to do is say, "Look, there's a bunch of stuff that is just suboptimal, it's not desirable." Like we're all here. The ones of us that have kids, the kids are interrupting all the time and so forth. And that's not part of a normal work productivity thing to offset against. And so those are just your patching for the near term.

But, for example, one of the key things that I think a number of companies need to figure out is remote interviewing. Actually remote interviewing is helpful no matter what. That actually, in fact, gives you a whole new early screening, and a set of different ways of doing it, and should be just part of the practice.

Similarly, with distributed work, you may now say, "Well actually, in fact, with these functions we can actually do these functions in distributed work. For example, take a super expensive area, like Silicon Valley. It's like, "Well shoot, we can do these kinds of functions, and distributed work in other kinds of locations, and now we've learned how to do them and all learned how to do it. That's the kind of thing that we should be doing. When we grow this function everywhere else we should grow it in this following way." Those are kinds of things that are for sure on it.

Then there's kind of this question about since we're using communications as the way to notify each other... Because part of what grows work and part of what gave room for Slack to demonstrate there was a new channel for a realtime inbox for close teams or distributed teams, "How are we using this kind of communications and notification to be able to work more effectively together?"

So I could easily see businesses say, "Look, here's how our comms infrastructure works for normal effective business processing, that's not just Monday through Friday or not just 8:00 AM to 5:00 PM, but here's how it works now generally. We've put in these new communications and collaboration infrastructure that allows the whole business to pick up speed because we've identified where the key points are and we just make sure that those points get through quickly in order to work faster." Those are the kinds of things that you can learn and work out in this kind of means.

Now those are all general principles because, of course, as everyone here knows, those specific work is specific per organization, per team, per market, per country, per dah dah dah. But those are kind of general principles.

ROTTENBERG: We also have a macro question about globalization. Alexis Pantesis of Direct in Greece is asking whether, at least at the government level, there's going to be a backlash against globalization?

As a global organization, as a global business, how do you think about this as your team, your customers, your workforce, is more and more global and yet if there is this backlash against globalization as one of the outcomes of COVID-19?

HOFFMAN: Well I think there's definitely going to be a modest backlash against it, but you have to offset this. What you have to do is you have to figure out like, look, how do we get as many of the benefits of globalization and how do we get that distributed in the right way? Because part of why you're seeing the political turbulence is because people are saying, "I'm not benefitting as much from globalization."

Like if you're a Midwest American it's like, "I'm not benefitting as much from globalization as the cities, and the coasts, and the other folks are who are leaning into it and playing a new role in globalization." You can't just say, "Benefit arrives from the sky because of it." It's like, "No, no, globalization does create a lot of economic value, and we need to make sure we're helping you participate, and play the game with it." And so you need to continue the upsides and then mitigate downsides.

Now I do think, a certain amount of business travel is going to go down because people are like, "Look, we can actually make team meetings work, and we can make groups work, and so forth." It's not as good as going but I'm now going to have a return on time, return on capital. As opposed to saying, "Hey let's wait until I'm in New York in two weeks to do this meeting let's just do a video conference meeting now. because time matters too and everything, let's just do it now. Let's make that happen." I think that will diminish business travel some. I think there'll still be business conferences, I think there may be fewer. Certainly fewer in the next year, but I think also it'll change that calculus some.

Now that being said there's a tremendous amount of benefits to globalization. Like one of the weirdnesses is the swab stuff. The swabs are manufactured in Northern Italy. Now China's spun up, but I think one of the things we'll do is say, "Look, it's good to have globalization." What happens is through a variety of these kind of network areas, like a bunch of expertise for it, and they ended up being the global best supplier, and could provide it, and so they did that.

Now I think one of the things we'll now look at is we'll say, "Look, what are a bunch of key supply chains? Let's try to make sure there's at least two or three in distributed areas around the world," so it's still yes, pro globalization, but let's make sure it's happening this way. Let's make sure that when we have crises there's enough national infrastructure to deal with certain things. It doesn't mean everything but enough of the basic things in order to make that happen. I think that will play out.

So I do think there will be pressure against globalization. There'll be political pressure, a bunch of other stuff.

We have to steer to more of the upsides. Entrepreneurs, we create industries, create jobs, as a part of doing that. Then more recognition and distribution of the upside and then mitigations of the downsides.

ROTTENBERG: Reid, thank you. I've always said that when economies turn down, entrepreneurs turn up. I am so proud that all the Endeavor entrepreneurs are turning up. I think, in turn, Endeavor is showing up. I also want to use this opportunity to thank everyone in the Endeavor network because we're in this together. I think, Reid, that's been your point. That if we're going to get through this we're going to get through it together.

HOFFMAN: Thank you Linda, for inviting me to the fireside chat and letting us share the show. And thank you all the founders from Endeavor who submitted their questions.

If you want to learn more about Endeavor – or any of these extraordinary, fast-growing companies – head to [Endeavor.org](https://www.endeavor.org).

And if you're a startup incubator or accelerator and you'd like to work with us on a future Strategy Session for your entrepreneurs, email us at Hello@MastersofScale.com.

I'm Reid Hoffman. Thank you for listening.